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**ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**As of and for the year ended  
September 30, 2006**

**(With Accountant's Report Thereon)**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Annual Financial Report  
As of and for the year ended  
September 30, 2006  
With Supplemental Information Schedule

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**MICHAEL K. GLOVER**

*Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, Louisiana

I have audited the accompanying financial statements of the governmental activities and fund information of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the St. George Fire Protection District No. 2 management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund information St George Fire Protection District No. 2 a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison listed in the table of contents, are not a required part of the financial statements but is supplementary information required by Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Audit Standards*, I have also issued my report dated December 15, 2006, on my consideration of St George Fire Protection District No. 2 internal control over financial reporting and my test of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards if presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Michael K. Glover*

Baton Rouge, LA  
December 15, 2006

**St. George Fire Protection District  
Baton Rouge, Louisiana  
Management's Discussion and Analysis  
For the Year Ended September 30, 2006**

The District provides emergency services to a 70 square mile area of East Baton Rouge Parish. The District is located in the southern portion of East Baton Rouge Parish. It includes East Baton Rouge Parish outside of the city limits of Baton Rouge with the parish line being the boundary on the eastern, western and southern ends and Harrell's Ferry Road being the northern boundary. The population of the District is approximately 105,500 and there are approximately 27,000 structures. The District is a separate government body and is governed by an appointed board of five citizens. This section of the District's financial report represents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2006.

The District recently opened a new station on Hoo Shoo Too Road in the District to bring the total number of stations to eight plus the administrative office located at 13646 Perkins Road.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the St. George Fire Protection District No. 2's basic financial statements. The District's basic financial statements are comprised of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, and (4) required supplemental information.

*Government-wide Financial Statements.* The government-wide financial statements are designed to provide readers with a broad overview of the St. George Fire Protection District No. 2's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the St. George Fire Protection District No. 2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the St. George Fire Protection District No. 2 is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, the revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused sick leave).

*Fund Financial Statements.* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The St. George Fire Protection District No. 2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other information.* In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information concerning the St. George Fire Protection District No. 2's performance and statistical information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets exceeded its liabilities by \$2,150,722 (net assets), which represents a 53.6% increase from September 30, 2005. This increase was mainly due to capital asset additions during the current year. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest portion of the St. George Fire Protection District No. 2's net assets reflects its investment in capital assets.

Capital assets of \$5,835,283 included seven fire stations as of September 30, 2006, improvements, firefighting and other equipment and furniture and fixtures, net of accumulated depreciation. The new station on Hoo Shoo Too Road was completed in July 2006.

The following provides a summary of the net assets:

	<u>2006</u>	<u>2005</u>
Current and other assets	\$1,066,879	\$ 999,723
Capital Assets	<u>5,835,283</u>	<u>4,402,296</u>
Total Assets	<u>\$6,902,162</u>	<u>\$5,402,019</u>
Long-term Liabilities	2,583,272	1,649,784
Other liabilities	<u>2,168,168</u>	<u>2,352,026</u>
Total liabilities	<u>4,751,440</u>	<u>4,001,810</u>
Net Assets:		
Invested in capital assets, net		
Of related debt	3,101,951	2,623,311
Unrestricted	<u>(951,229)</u>	<u>(1,223,102)</u>
Total net assets	<u>\$2,150,722</u>	<u>\$1,400,209</u>
Total liabilities and net assets	<u>\$6,902,162</u>	<u>\$5,402,019</u>

The District receives a millage of 10 mills for general operation, 1.25 mills for salary and benefits and 1.50 mills for capital improvements and debt service. These taxes, which represent 81.9% of total revenue, resulted in an increase of property taxes for the period ending September 30, 2006 of \$ 546,802.

The following provides a summary of the changes in net assets:

	<u>2006</u>	<u>2005</u>
Revenues:		
Property taxes	\$8,260,758	\$7,713,956
Service charges	926,597	911,996
Intergovernmental revenues	721,076	571,132
Other revenues	<u>181,080</u>	<u>153,781</u>
Total	<u>10,089,511</u>	<u>9,350,865</u>
Expenses	<u>9,338,998</u>	<u>8,685,399</u>
Increase (Decrease) in net assets	750,513	665,466
Beginning net assets	<u>1,400,209</u>	<u>734,743</u>
Ending net assets	<u>\$2,150,722</u>	<u>\$1,400,209</u>

Management's Discussion and Analysis  
September 30, 2006

Some of the differences in revenues and expenditures between the current year and the prior year are as follows:

Total revenues increased by \$738,646, primarily due to new construction in the District that resulted in increased property taxes.

Salaries and benefits increased by \$442,930 because of additional employees, merit increases and routine salary increases.

Contractual services increased by \$78,310, due to statutorily required retirement cost and other inflationary increases.

Interest expense increased by \$77,628 and depreciation increased by \$22,677 due to a new fire station and the related financing.

Total expenditures increased by \$653,599.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Financial analysis of the changes in fund balance-governmental funds reflects the following highlights:

	<u>2006</u>	<u>2005</u>
Revenues		
Service Charges	\$ 926,597	\$911,996
Expenditures		
Capital Outlay	\$1,775,655	\$1,406,642

**BUDGETARY HIGHLIGHTS**

The original budget was revised twice this year. The revisions increased revenue by approximately \$721,942. Expenses were increased by \$814,485. These revisions were made to more closely reflect expected revenues and expenses.

**CAPITAL ASSETS**

At September 30, 2006, the District had \$5,835,283 in capital assets, net of accumulated depreciation. These assets are comprised of land, buildings, firefighting equipment, office furniture and equipment, etc.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Gerard C. Tarleton, Fire Chief, St. George Fire Protection District located at 13686 Perkins Rd., Baton Rouge, La. 70810.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
STATEMENT OF NET ASSETS

Statement A

September 30, 2006

**ASSETS**

Cash and cash equivalents	\$ 884,290
Receivable (Note 4)	74,045
Federal assistance receivable (Note 4)	91,204
Capital assets - net of accumulated depreciation (Note 5)	5,835,283
Deposits	17,340
 Total assets	 \$ <u><u>6,902,162</u></u>

**LIABILITIES**

Accounts payable	\$ 86,275
Salary benefits payable	136,195
Accrued interest	59,728
Long-term liabilities (Note 7):	
Due within one year	1,885,970
Due after one year	<u>2,583,272</u>
Total liabilities	<u><u>4,751,440</u></u>

**NET ASSETS**

Invested in capital assets, net of related debt	3,101,951
Unrestricted net assets:	
General fund	<u>(951,229)</u>
Total net assets	\$ <u><u>2,150,722</u></u>

The notes are an integral part of this statement.



ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Statement B

Statement of Activities  
For the year ended September 30, 2006

		PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
	EXPENSES			TOTAL
<b>EXPENSES:</b>				
Public safety - fire protection:				
Personnel services and related benefits	\$ 8,016,940		758,080	\$ 7,258,860
Repairs and maintenance	222,624			222,624
Legal and professional	55,694			55,694
Insurance	130,974			130,974
Contractual services	454,148			454,148
Office supplies	8,267			8,267
Supplies	392,463		28,047	364,416
Rental (Note 8)	152,908			152,908
Utilities	146,232			146,232
Interest on long term debt	189,895			189,895
Depreciation	342,668			342,668
Disposal of assets	12,312			12,312
				-
Total governmental activities	10,125,125		786,127	9,338,998
<b>Program revenues:</b>				
Service charges				926,597
Net program expenses				8,412,401
<b>GENERAL REVENUES:</b>				
Ad valorem taxes				8,260,758
Intergovernmental revenues:				
State revenue sharing				237,156
Fire insurance tax				253,145
Grant				230,775
Interest income				170,429
Miscellaneous				10,651
Total general revenues				9,162,914
Changes in net assets				750,513
<b>Net assets:</b>				
Beginning of the year				1,400,209
End of the year			\$	2,150,722

The notes are an integral part of this statement.

## **FUND FINANCIAL STATEMENTS**

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
BALANCE SHEET  
GOVERNMENT FUNDS

Statement C

September 30, 2006

ASSETS

Cash and cash equivalents	\$	884,290
Receivable (Note 4)		74,045
Deposits		17,340
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>975,675</u></b>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$	86,275
Salary benefits payable		136,196
Deferred revenues		65,830
Long-term liabilities (Note 7):		
Due within one year		700,000
		<u>988,301</u>

Fund balances:

Unrestricted, reported in:

General fund	<u>(12,626)</u>
<b>Total fund balance</b>	<b><u>(12,626)</u></b>

**TOTAL LIABILITIES AND  
FUND BALANCES**

**\$ 975,675**

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
RECONCILIATION OF THE GOVERNMENT FUND BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Statement D

September 30, 2006

Total fund balances - governmental funds (Statement C)	\$	(12,626)
<p>The purchase of capital assets are reported as expenditures as they are incurred in the governmental funds. The Balance Sheet reports capital assets as a asset to the District. These capital assets are depreciated over their estimated useful lives in the Statement of Activities and are not reported in the governmental funds.</p>		
Cost of capital assets	\$	8,355,565
Less: Accumulated depreciation		<u>(2,520,281)</u>
		5,835,283
Accrued interest for note payables that are not included in the governmental fund financial statements and are in the Statement of Activates		(59,728)
Revenues in the statement of activities that do not provide current financial are reported in the Statement of Activities are not reported as revenues in the fund financial statements		91,204
Balances at year end are:		
Compensated absences payable	\$	(717,540)
Note payable		<u>(3,051,701)</u>
		(3,769,241)
Reporting property tax deferral in the fund statements to record taxes as they are available.		<u>65,830</u>
Net Assets (Statement A)	\$	<u><u>2,150,722</u></u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Statement E

Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Governmental Funds  
For the Year Ended September 30, 2006

REVENUES:

Ad valorem taxes	\$ 8,246,984
Service charge	926,597
Intergovernmental revenues:	
State revenue sharing	237,156
Fire insurance tax	253,145
Supplemental pay	398,300
Grant	527,398
Interest income	170,429
Miscellaneous	10,651
 Total revenues	 <u>10,770,659</u>

EXPENDITURES:

Personnel services and related benefits	7,966,570
Repairs and maintenance	222,624
Legal and professional	55,694
Insurance	130,974
Contractual services	454,148
Office supplies	8,267
Supplies	392,462
Rental (Note 8)	152,908
Capital outlay	1,787,967
Utilities	146,234
Debt service:	
Principle	313,002
Interest and other charges	130,166
 Total expenditures	 <u>11,761,013</u>

Excess of expenditure over revenues (990,353)

Other Financial Sources:

Proceeds from loan	<u>1,300,000</u>
 Net change in fund balances	 309,647

Fund balance:

Beginning of the year	(322,273)
End of the year	<u>\$ (12,626)</u>

The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Statement F

For the year ended September 30, 2006

Net change in fund balances-total governmental funds (Statement E)	\$	309,647
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Amounts reported for governmental activities in the statement of activities( Statement B) are different as follows:

Government funds report principle payments on long term obligations as an expenditure. However in the statement of net assets, principle payments are recorded as a reduction of long-term liabilities.		313,001
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Government funds report loans as a financial resource whereas the statement of net assets records the resource as a loan		(1,300,000)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements.		91,204
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Revenues in the fund financial statement that provide current financial resources.		13,774
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Accrued interest for note payables that are not included in the governmental fund financial statements		(59,728)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(50,372)
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Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays during the year.		1,432,987
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Change in net assets of governmental activities (Statement B)	\$	<u>750,513</u>
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The notes are an integral part of this statement.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Financial Statements  
As of and for the Year ended September 30, 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

On December 31, 1993, the Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge (City/Parish) created the Advisory Board as a Board of Commissioners that will govern the St. George Fire Protection District pursuant to Louisiana Revised Statutes 40:1491-1508 effective January 1, 1994. Article VI, Sections 15 and 19 of the Louisiana Constitution of 1974, authorized the Metropolitan Council to appoint 5 members to the Board of Commissions. The Louisiana Constitution of 1974 permits the board member to be paid per diem attending the Board meetings and expenses in accordance with L.R.S. 40:1498; however, the board members are presently not being paid the permitted compensation.

The St. George Fire Protection District No. 2 presently has eight stations to provide fire protection for individuals within their district. This Districts employees approximately 137 full time employees and 3 part-time employees.

Reporting Entity

As the governing authority of the parish, for reporting purposes, the City of Baton Rouge is the financial reporting entity for the Parish of East Baton Rouge. GASB Statement No. 14 established criteria for determining which component units should be considered part of the City of Baton Rouge and East Baton Rouge Parish for financial reporting purposes. The basis criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. The criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the Metropolitan Council of the Parish of East Baton Rouge to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Metropolitan Council.
2. Organizations for which the Metropolitan Council does not appoint a voting majority but are fiscally dependent on the metropolitan council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of significant of the relationship.

Because the Metropolitan Council appoints the members of the Board of Commissions, the District was determined to be a component unit of the City of Baton Rouge and East Baton Rouge Parish, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Baton Rouge and East Baton Rouge Parish, the general governmental units that comprise the financial reporting entity.

Basis of Presentation

The financial statements of the Board are prepared in accordance with accounting principles generally accepted in the United States of America. The Board's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Board may also apply all FASB pronouncements or interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

#### Government-Wide and Fund Financial Statements

In accordance with Government Accounting Standards Board Statement No. 34, the District has presented a Statement of Net Assets and Statement of Activities for the district as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide Accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. The Statement of Net Assets and Statement of Activities are reported on the accrual basis of accounting.

Government-wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

The fund financial statements provide reports on its financial condition and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity using the modified accrual method to report revenues and expenditures.

Funds of the District are classified as governmental funds. Governmental funds account for district's general activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds of the district include:

**General Fund**--the general fund is the operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements (GWFS) use the economic resources measurement focus and the accrual basis of accounting in the preparation of The Statement of Net Assets and the Statement of Activities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements (FFS) for use the current financial resources measurement focus and a modified accrual basis of accounting. With the measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financial sources and expenditures and other financial uses).

The modified accrual basis of accounting revenues in the accounting period they become both measurable and available. *Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.* For the district, available means expected to be received within a sixty days of fiscal year end. *Measurable means the amount of the transaction can be determined and available means collectible when the current period or soon enough thereafter to pay liabilities of the current period.* Expenditures are recorded in the accounting period when the related fund liability is incurred, if measurable, except for unmatured principal and interest on long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in the governmental fund only if the claims are due and payable. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes and service charges. Property tax revenues, service charges, and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.



ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to Financial Statements (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Con't

**Eliminating Internal Activity**

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances.

**Capitalizing Assets**

Assets used in operations with an initial useful life that extends beyond one year are capitalized. Equipment, furniture and fixtures, leasehold improvements, and buildings are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements or construction in progress. Accumulated depreciation is recorded at net of depreciable assets in the Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits that mature within 90 days after year end and other investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or under the laws of the United States.

Under state law, the districts may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. However, if the original maturities are 90 days or less, they are classified as cash equivalents.

Revenues and deferred revenues

Property taxes and the service charge are recorded on the modified accrual basis and, therefore, recorded when they are both measurable and available. These revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The calendar of events for the 2003, ad valorem tax roll was as follows:

	Service charges
	And
	<u>Ad valorem taxes</u>
Levy date	January 1, 2005
Due date	December 31, 2005
Lien date	January 1, 2006
Collection date	December 3, 2005

Deferred revenues are those property taxes that have not met the "available" criteria and funds received from grants that have not been used.

State revenue sharing revenues and the 2% fire insurance tax protection rebate are recorded when the district is entitled to the funds.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to Financial Statements (Continued)  
Program Revenues

The Statement of Activities presents two categories of program revenues - (1) charges for services and (2) operating grants and contributions.

Charges for services - are revenues from exchanges or exchange like transactions with external parties that purchase, use or directly benefit from the program's goods, services, or privileges. These revenues include fees charged for specific services, licenses and permits, and operating special assessment, and include payments from exchange transactions with other governments.

Operating grants and contributions - are resources that are restricted for operating purposes of a program. They include grants and contributions with restriction that permit the resources to be used for a programs operating of capital needs at the recipient government's discretion. If multipurpose contributions and grants that provide financing for more than on program are specifically identified, they are included as program revenues. Reported as a contribution is the supplemental salary paid to the firefighters by the State of Louisiana and federal assistance reimbursing the District for salaries.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Compensated absences are recognized as expenditures when leave is actually taken or when the employees (or heirs) are paid for accrued leave upon termination or death, while the cost of leave privileges not requiring current resources are recorded as a long-term debt.

Other Financing Sources (Uses)

Proceeds from the sale of fixed assets and debt acquired for the construction and purchase of fixed assets are accounted for as other financing sources and are recognized when received. Fixed assets acquired through capital leases are recorded as expenditures and other financing sources at the time of acquisition.

**H. CAPITAL ASSETS**

Capital assets purchased in excess of \$500 are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful live is management's estimate of how long the asset is estimated to meet service demands. A salvage value of ten percent of historical cost has been assigned to the buildings and vehicles. Straight line depreciation is used based on the following estimated useful lives:

Buildings	40 years
Furniture	5-7 years
Equipment	5-10 years
Vehicles	5 years

Approximately 99.3 per cent of the assets are valued at historical cost and .7 per cent are valued at estimated cost based on vendor estimates of prices at the time of purchase.

Capitalized interest - Interest cost are capitalized when incurred by the general fund debt where proceeds were used to finance the construction of assets.

**F. BUDGET PRACTICES**

The proposed budget for 2005- 2006 was made available for public inspection on August 29, 2005. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on September 22, 2005, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Formal integration of the budget into the accounting records is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments, if any.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to Financial Statements (Continued)

I. COMPENSATED ABSENCES

This fire district has the following policy relating to vacation and sick leave:

Employees of this fire district earn from 1.5 to 2.5 days of annual leave each month and from 7.5 to 11 hours of sick leave each work period, depending on their length of service; however, before vacation time can be used, a waiting period of 360 calendar days must be completed. Every fireman employed by the fire protection district, shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than fifty-two weeks. Upon termination of employment, employees are paid for accrued annual leave up to the maximum accrual authorized. The plan assets remain the property of the fire district until paid or made available to participants, subject only to claims of the employer's general creditors.

The cost of leave privileges is recognized as a current-year expenditure in the General Fund when leave is actually taken. The cost of leave privileges not requiring current resources is recorded as a long-term debt as a governmental activity.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposits. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The depository bank places approved pledged securities for safekeeping and trust with the District's in an amount sufficient to protect Districts funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposits Insurance Corporation (FDIC) Insurance.

On September 30, 2006, the carrying amount of the District's deposits was \$884,290 and the bank balance was \$1,085,639. The District's cash deposits at September 30, 2006, and during the year ended September 30, 2006, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

Category 1 Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

3. LEVIED TAXES AND CHARGES

	<u>AUTHORIZED</u> <u>MILLAGE/RATE</u>	<u>LEVIED</u> <u>MILLAGE</u>	<u>EXPIRATION</u> <u>DATE</u>
Ad valorem taxes	10.00	10.00	2007
-For salaries and related benefits	1.25	1.25	2011
-Capital improvements and debt service	1.50	1.50	2011
Service charge (maximum rate)	\$32.00	N/A	7/31/2012

The boards of commissioners have designated \$984,490 of these taxes for improvements to existing fire stations and the purchase of equipment and debt service that will be accounted for in the General Fund. All amounts were expended during the fiscal year.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to the Financial Statements, (Continued)

4. RECEIVABLES

Receivables as of September 30, 2006, are as follows:

Ad valorem taxes	\$ 383,823
Service charge, net of commissions	<u>19,832</u>
	403,655
Less: Allowance for bad debts	<u>329,610</u>
	\$ 74,045
	=====

The Federal Emergency Management Agency (FEMA) has reimbursed the District \$22,181 and owes the District an additional \$91,204 for overtime and supplies incurred during the recovery of hurricanes Katrina and Rita. These funds are included in the Statement of Activities as program revenue reducing salaries and supplies by \$85,337 and \$28,048, respectively.

5. CAPITAL ASSETS

A summary of changes in capital assets and accumulated depreciation for the period are as follows:

	Beginning Balance	Adjustment	Additions	Deletions	Ending Balance
Land	\$ 289,531				289,531
Building	2,073,160		1,222,889		3,296,049
Construction in progress	-		8,127		8,127
Furniture	14,529		8,896		23,425
Vehicle	214,644				214,644
Equipment	4,144,773	1,936	548,055	170,975	4,523,789
	<u>6,736,637</u>	<u>1,936</u>	<u>1,787,967</u>	<u>170,975</u>	<u>8,355,565</u>

Accumulated depreciation:

	Beginning Balance	Adjustments	Additions	Deletions	Ending Balance
Building	494,720		50,897		545,617
Furniture	14,336		1,322		15,658
Vehicle	162,365		8,190		170,555
Equipment	1,662,920		282,259	156,727	1,788,452
	<u>2,334,341</u>	<u>-</u>	<u>342,668</u>	<u>156,727</u>	<u>2,520,282</u>

Capital assets, net	\$ <u>4,402,296</u>				<u>5,835,283</u>
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6. DEFERRED REVENUES

Deferred revenues are property taxes that did not meet the "available" criteria for recording revenues in the governmental fund financial statements.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
 Baton Rouge, Louisiana  
 Notes to the Financial Statements (Continued)

7 LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2006:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due Within One Year
<u>Fund Activity</u>					
Note payable	\$ 700,000	2,350,000	2,350,000	700,000	700,000
<u>Government Activities</u>					
Compensated absences	667,168	562,862	512,489	717,541	590,000
Equipment loan	636,112		313,001	323,111	323,111
Note payable	1,428,590	1,300,000		2,728,590	272,859
	<u>\$ 3,431,870</u>	<u>4,212,862</u>	<u>3,175,490</u>	<u>4,469,242</u>	<u>1,885,970</u>

The short-term loan in the fund activities was used for operational requirements during the year.

The Note Payable was originally issued on November 18, 2001, with an original balance of 2,040,842 payable over a period of 10 years from the date thereof bearing interest at a rate not to exceed 4.4% and secured by and payable from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each of the years. In 2005, the District refinanced the note with an interest rate not to exceed 4.35% and an original amount of \$2,728,590. Annual payments are made against principal of \$272,589.

An equipment loan was obtained November 15, 2004, to purchase additional equipment. The lease is for a three year period with annual payments of \$333,546 payable in April of each year and an interest rate of approximately 3.1%.

The five year annual requirements to amortize the above certificates outstanding at September 30, 2006, including interest are as follows

<u>Year Ending</u>	Principle Payments	Interest Payments	Total
2007	\$ 595,970	112,927	708,897
2008	272,859	99,902	372,761
2009	272,859	86,368	359,227
2010	272,859	73,090	345,949
2011	272,859	59,811	332,670
Years thereafter	1,364,295	106,559	1,470,854
	<u>\$ 3,051,701</u>	<u>538,657</u>	<u>3,590,358</u>

8. OPERATING LEASES

The reporting entity has entered into several operating leases for the rental of three buildings and equipment. For the year ended, rental expenditures with lease agreements exceeding a year were approximated \$56,304. Minimum lease payments for the next five years are as follows:

2007	\$ 38,268
2008	17,068
2009	17,068
2010	4,068
	<u>\$ 63,640</u>

Annual rental fees of fire hydrants were approximately \$85,000 for the year, there is not a lease agreement for this equipment. The leasing of this equipment is mandated by the City Parish of Baton Rouge in an agreement with the water companies. This annual rental fee for these hydrants has occurred since 1969.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to the Financial Statements (Continued)

9. PENSION PLAN

Plan Description

Effective January 1, 1999, there are two retirement plans. Those employees hired before January 1, 1999, are covered by the Employee's Retirement System of the City of Baton Rouge and Parish of East Baton Rouge while those employees hired after December 31, 1998 are members of the Firefighters' Retirement System.

Substantially all full-time employees of St. George Fire Protection District No. 2 are members of the respective plan depending on their date of employment. Both retirement systems are a multiple-employer (cost-sharing), deferred benefit pension plan administered by a separate board of trustees.

All full-time employees of the District become a member of the Retirement System. The pension plan provides retirement benefits, as well as death and disability benefits. All benefits of the Employees' Retirement System are vested after 10 years of service. Minimum benefits are payable on the attainment of age 55 for all employees with a minimum of 10 years of service or 20 years of service at any age. Full retirement benefits are payable with 25 years of service, regardless of age. Benefits, depending upon the number of years of service, are either 2½% or 3% of average compensation times the number of years creditable service. Benefits cannot exceed 90% of average compensation.

The benefits of the Firefighters' Retirement System are available to employees with 20 years or more years of service who have attained age 50 or employees who have 12 years of service who have attained age 55 or 25 years of service at any age. Benefits equal to 3 1/3% of the employees average compensation based on the 36 consecutive months of highest pay multiplied by their total year of service, not to exceed 100%.

Disability Benefits

Pension provisions of the Employees' Retirement System include both service connected and ordinary disability benefits. Under a service connected disability, the disabled employee is entitled to receive 50 percent of average compensation, plus an additional factor for each year of service in excess of ten years. Under an ordinary disability, ten or more years of service to receive 50 percent of average compensation or 2 1/2% times the number of years of creditable service, whichever is greater. Disability benefits cease at the death of the disabled employee.

Active contributing employees are entitled to disability benefits under the provisions of the Firefighters' Retirement System. Any employee under the age of 50 who becomes totally disabled in the line of duty will receive 60% of their compensation, or 75% of their accrued retirement benefit with a minimum of 25% of average salary for an injury received, even though not in the line of duty. Any employee age fifty or older who becomes totally disabled from an injury sustained in the line of duty is entitled to the greater of 60% of compensation or their accrued retirement benefit. An employee age fifty or older who becomes totally disabled as a result of any injury, is entitled to benefits equal to their accrued retirement benefit with a minimum of 25% of average salary.

Survivor Spouse Benefits

The pension provisions of the Employees' Retirement System for a qualifying spouse will receive 50 percent of the retired employee's pension amount. Should an employee die before retirement, a qualifying spouse may receive an actuarially computed benefit based on the employee's calculated benefit, if eligible; or \$600 per month plus \$150 per month for each minor child, if the employee was not eligible for benefits at time of death.

Survivor spouse benefits under the Firefighters' Retirement System are entitled to an annual benefit equal to two-thirds of the deceased employee's compensation if the employee's death is in the line of duty. If a member dies from a cause not in the line of duty, the surviving spouse is entitled to an annual benefit of 3% of the deceased employee's average compensation multiplied by their total years of creditable service. In no event is the annual benefit less than 40% or more than 60% of the deceased employee's average final compensation.

## 9. PENSION PLAN (CON'T)

### Survivor Spouse Benefits (con't)

Both of these Systems' issue an annual publicly available financial report that includes financial statements and required supplementary information for the Systems'. The respective reports may be obtained by writing to the Employee's Retirement System, City of Baton Rouge and Parish of East Baton Rouge, Post Office Box 1471, Baton Rouge, Louisiana 70821 or by calling (225) 389-3272 or the Firefighters' Retirement System, 3100 Brentwood Drive, Baton Rouge, Louisiana 70809 or by calling (225) 925-4060.

### Funding Policy

Plan members of the Employees' Retirement System are required by the plan to contribute 9.5 percent for 2006, 2004 and 2003 of their gross pay while the employer contribution rate is 22.38% as of June 1, 2006, 20.13% for 2005, and 17.6% for 2004. The contribution requirements of plan members and the St. George Fire Protection District No. 2 are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year. The contributions by the District and plan participants for the years ended September 30, 2006, 2005 and 2004, were \$606,082, \$549,452, and \$501,231, respectively, equal to the required contributions for each year.

Plan members of the Firefighters' Retirement System are required by the plan to contribute 8 percent for 2006, 2004 and 2003 of their gross pay, while the employer contribution rate is 15% effective August 1, 2006, 18% as of September 1, 2005, and 24% as of January 1, 2004, and 9% for 2003 of the annual covered payroll. The System increased the employer contribution rate to 18.25% effective May 2003, 21% effective July 2003 and 24% effective July 1, 2004. The contributions paid by the District and plan participants for the years ended September 30, 2006, 2005 and 2004, were \$871,899, \$838,645, and \$481,558, respectively, equal to the required contributions for each year. This System also receives funds from insurance premium taxes each year as appropriated by the Legislature. These taxes are used as additional employer contributions.

## 10. OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits described in Note 9, the District provides post-employment benefit options for health care, life insurance, dental insurance and disability income to eligible retirees and their dependents if they were covered prior to retirement. The criteria to determine eligibility include: years of service, employee age, disability due to line of duty and whether the employee has vested in the respective retirement plan. The District funds the benefits on a pay-as-you go basis. Eligible retirees are required to pay 40% of the premium with the District subsidizing the remaining cost. During the fiscal year 2006, expenses (net of participant contribution) of \$2,607 were recognized for post-employment benefits. There are 2 participants currently eligible.

## 11. BOARD OF COMMISSIONERS

The District is government by a Board of Commissioners. The members receive no compensation or per diem allowances for their services. Below is a list of the Board members and their respective titles:

Mr. Johnny R Suchy	Chairman
Gary T. Durham	Secretary
Frank H. Collura	Board Member
Donald J. Kelly	Board Member
Lucius M. Butts	Board Member

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
Baton Rouge, Louisiana  
Notes to the Financial Statements (Continued)

12. Litigation

A suit has been filed to force the City of Baton Rouge/Parish of East Baton Rouge Retirement System to allow an individual to purchase four (4) year of service credit from the retirement system. The suit also seeks to force the District to pay to the Retirement System the mandatory employer contribution for these four (4) years and is estimated to be in the \$65,000 range. It also appears that a retirement system did not exist for the District during the four years these service credits want to be acquired. Management presently believes that his claim is defensible and is vigorously defending against it.



OTHER SUPPLEMENTAL INFORMATION AND REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133

The following pages contain a budget comparison schedule and reports on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and in accordance with OMB Circular A-133 for federal awards. The report on compliance internal control over financial reporting and federal awards is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Budget Comparison Schedule (Non-GAAP Budgetary Basis) - General fund

	BUDGET			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES:				
Ad valorem taxes and service charges	\$ 9,450,030	9,450,030	9,173,581	\$ (276,449)
Fire insurance tax	217,620	217,620	253,145	35,525
Intergovernmental revenues	236,590	236,590	635,456	398,866
Grant		721,942	527,398	(194,544)
Interest income	83,750	83,750	170,429	86,679
Other	500	500	10,651	10,151
Total revenues	9,988,490	10,710,432	10,770,659	60,227
EXPENDITURES:				
Personnel services and related benefits	7,677,670	7,929,508	7,966,570	37,062
Repairs and maintenance	152,110	152,110	222,624	70,514
Legal and professional	27,540	27,540	55,694	28,154
Insurance	93,510	93,510	130,974	37,464
Contractual services	460,270	460,270	454,148	(6,122)
Office supplies	2,500	2,500	8,267	5,767
Supplies	279,140	279,130	392,462	113,332
Rental	148,860	148,860	152,908	4,048
Capital outlay	1,205,000	1,767,557	1,787,967	20,410
Utilities	142,990	142,990	146,234	3,244
Debt service	715,210	715,210	443,168	(272,042)
Other		-	-	-
Total expenditures	10,904,800	11,719,185	11,761,013	41,828
EXCESS REVENUES (DEFICIENCY) OVER OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	(916,310)	(1,008,753)	(990,353)	18,400
OTHER FINANCIAL SOURCES:				
Proceeds from loan			1,300,000	1,300,000
			1,300,000	1,300,000
	(916,310)	(1,008,753)	309,647	1,318,400
FUND BALANCES AT BEGINNING OF YEAR				
	(342,438)	(342,438)	(342,438)	
FUND BALANCES AT END OF YEAR				
	\$ (1,258,748)	(1,351,191)	(32,791)	\$ 1,318,400

Reconcile budget to GAAP basis:

Budget Basis	\$ 309,647
Personal services and related benefits	(50,372)
Revenues	104,978
Disposal of assets	(12,312)
Capital Outlay	1,787,966
Debt service	443,167
Depreciation expense	(342,667)
Interest expense	(189,895)
Loan proceeds	(1,299,999)
GAAP Basis	<u>\$ 750,513</u>

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2  
CITY OF BATON ROUGE  
PARISH OF EAST BATON ROUGE, LOUISIANA

Notes to Required Supplementary Information  
For the Year Ended September 30, 2006

Summary of Significant Variances in the Budget

Budgetary Process

The proposed budget for 2005- 2006 was made available for public inspection on August 29, 2005. The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal ten (10) days prior to the public hearing, which was held at the St. George Fire Station on Perkins Road on September 22, 2005, for the comments from taxpayers. The budget is legally adopted and amended, as necessary, by the Board of Commissions.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The basic differences arise through the employment of a basis of accounting for budgetary purposes which differs from basis of accounting applicable to the fund type when reporting on the operations in accordance with GAAP.

Grant

Grant revenues include paid reimbursements of \$22,181 and amounts owed of \$91,204 from The Federal Emergency Management Agency (FEMA) of for overtime and supplies incurred during the recovery of hurricane Katrina and Rita.

**MICHAEL K. GLOVER**

*Certified Public Accountant*

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Report on Internal Control over Financial Reporting and Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, Louisiana

I have audited the financial statements of St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, as of and for the year ended September 30, 2006, and have issued my report thereon dated December 15, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered St. George Fire Protection District No. 2 internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether St. George Fire Protection District No. 2, a component unit of the City of Baton Rouge, East Baton Rouge Parish, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on the compliance with those provisions was not an objective on my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management and interested federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Michael K. Glover*

Baton Rouge, LA  
December 15, 2006

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Pass-Through Programs</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>Federal Agency Department of Homeland Security</u>		
Assistance To Firefighters Grant	94.044	230,775
Staffing For Adequate Fire and Emergency Response (SAFER)	97.083	274,442
Disaster Grants-Public Assistance (Presidential Declared Disasters)	97.036	113,385
Total federal assistance	\$	<u><u>618,602</u></u>

**Basis of Presentation**

The above schedule of expenditures of federal awards includes the federal grant activity of St. George Fire Protection District No.2 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

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Society of Louisiana  
Certified Public Accountants

Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133

To the Board of Commissioners  
St. George Fire Protection District No. 2  
Baton Rouge, LA

Compliance

I have audited the compliance with St. George Fire Protection District No. 2 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of law, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

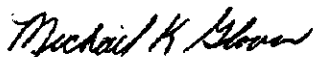
In my opinion, the District has complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information and use of the management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and distribution is not limited.



Michael K. Glover APAC  
December 15, 2006

ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.  
SCHEDULE OF CURRENT YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2006

As required by U.S. Office of Management of Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the following is a summary of the results of my audit:

**Financial Statements**

Type of report issued - Unqualified

Internal control over financial reporting:

-Material weaknesses identified ☐ yes ☒ no  
-Reportable condition(s) identified that are not considered to be  
material weaknesses. ☐ yes ☒ none reported  
Noncompliance material to financial statements notes ☐ yes ☒ no

**Federal Awards**

Internal control over major programs:

-Material weaknesses identified ☐ yes ☒ no  
-Reportable condition(s) identified that are not considered to be  
material weaknesses. ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major program - unqualified

Any audit findings that were required to be reported in accordance  
with Section 510(a) of OMB Circular A-133. ☐ yes ☒ no

The following programs were determined to be Type B major programs:

U.S. Department of Health and Human Services

- a. CFDA #94.044 Assistance to Firefighters Grant
- b. CFDA #97.083 Staffing for Adequate Fire and Equipment Response (SAFER)

The dollar threshold used to distinguish between Type A and Type B programs was \$500,000 as specified under  
Section 520(b).

Auditee qualified as low-risk auditee: ☐ yes ☒ no

**Financial Statements Findings - None**

**Federal Award Findings and Questioned Cost - None**



ST. GEORGE FIRE PROTECTION DISTRICT NO. 2.  
PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

None